

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

N

W-02860A
Naco Water Company, L.L.C.
PO Box 85160
Tucson, AZ 85754

APR 02 2008

ANNUAL REPORT

FOR YEAR ENDING

12	31	2007
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FOR COMMISSION USE

ANN 04	07
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PROCESSED BY:

4308

SCANNED

COMPANY INFORMATION

Company Name (Business Name) Naco Water Company, LLC		
Mailing Address P.O. Box 85160		
(Street)		
Tucson	AZ	85754
(City)	(State)	(Zip)
520-623-5172	520-792-0377	
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		
Local Office Mailing Address same as above		
(Street)		
(City)	(State)	(Zip)
Local Office Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		

MANAGEMENT INFORMATION

Management Contact: Southwestern Utility Management, Inc.			
(Name)		(Title)	
P.O. Box 85160	Tucson	AZ	85754
(Street)	(City)	(State)	(Zip)
520-623-5172	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address			
On Site Manager: Steve Siegfried			
(Name)			
P.O. Box 85160	Tucson	AZ	85754
(Street)	(City)	(State)	(Zip)
520-623-5172	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address			

☐ Please mark this box if the above address(es) have changes or are updated since the last filing.

Statutory Agent Martin F. Ryan			
(Name)			
6262 N. Swan Rd., Suite 290	Tucson	AZ	85718
(Street)	(City)	(State)	(Zip)
520-299-8117	529-299-7860		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Attorney: Same as above			
(Name)			
(Street)	(City)	(State)	(Zip)
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	

☐ Please mark this box if the above address(es) have changes or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to you company:

<input type="checkbox"/> Sole Proprietor (S)	<input type="checkbox"/> C Corporation (C) (Other than Association/Co-Op)
<input type="checkbox"/> Partnership (P)	<input type="checkbox"/> Subchapter S Corporation (Z)
<input type="checkbox"/> Bankruptcy (B)	<input type="checkbox"/> Association/Co-Op (A)
<input type="checkbox"/> Receivership (R)	<input checked="" type="checkbox"/> Limited Liability Company
<input type="checkbox"/> Other (Describe) _____	

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

<input type="checkbox"/> APACHE	<input checked="" type="checkbox"/> COCHISE	<input type="checkbox"/> COCONINO
<input type="checkbox"/> GILA	<input type="checkbox"/> GRAHAM	<input type="checkbox"/> GREENLEE
<input type="checkbox"/> LA PAZ	<input type="checkbox"/> MARICOPA	<input type="checkbox"/> MOHAVE
<input type="checkbox"/> NAVAJO	<input type="checkbox"/> PIMA	<input type="checkbox"/> PINAL
<input type="checkbox"/> SANTA CRUZ	<input type="checkbox"/> YAVAPAI	<input type="checkbox"/> YUMA
<input type="checkbox"/> STATEWIDE		

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization	198	N/A	198
302	Franchises			
303	Land and Land Rights	4345	N/A	4345
304	Structures and Improvements	5918	2033	3885
307	Wells and Springs	77391	32295	45096
311	Pumping Equipment	149876	71837	78039
320	Water Treatment Equipment	1971	834	1137
330	Distribution Reservoirs and Standpipes	136659	50326	86333
331	Transmission and Distribution Mains	513601	158460	355141
333	Services	38874	16510	22364
334	Meters and Meter Installations	29591	18618	10973
335	Hydrants	34717	10958	23759
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	9202	9074	128
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment	140	60	80
344	Laboratory Equipment			
345	Power Operated Equipment	2818	2818	---
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	1005301	373823	631478

This amount goes on the Balance Sheet Acct. No. 108



CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)*
301	Organization	198	---	---
302	Franchises			
303	Land and Land Rights	4345	---	--
304	Structures and Improvements	5918	3.33	134
307	Wells and Springs	77391	3.33	1553
311	Pumping Equipment	149876	12.50	11149
320	Water Treatment Equipment	1971	3.33	39
330	Distribution Reservoirs and Standpipes	136659	2.22	1960
331	Transmission and Distribution Mains	513601	2.00	7248
333	Services	38874	3.33	770
334	Meters and Meter Installations	29591	8.33	997
335	Hydrants	34717	2.00	485
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	9202	6.67	9
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment	140	5.00	4
344	Laboratory Equipment			
345	Power Operated Equipment	2818	5.00	---
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	1005301		24348

This amount goes on Comparative statement of Income and Expense
Acct. No. 403.

Less: Amortization of Contributions in Aid of Construction
Depreciation for 2007 is calculated on O.C.L.D.

(1086)
\$ 23,262

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 4588	\$ 7662
134	Working Funds	76556	99476
135	Temporary Cash Investments		
141	Customer Accounts Receivable	27199	52894
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 108343	\$ 160032
	FIXED ASSETS		
101	Utility Plant in Service	\$ 1001889	\$ 1005301
103	Property Held for Future Use		116612
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(349475)	(373823)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 652414	\$ 748090
	TOTAL ASSETS	\$ 760757	\$ 908122

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 136720	\$ 102589
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	14719	15230
236	Accrued Taxes	903	1279
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	17000	17000
	TOTAL CURRENT LIABILITIES	\$ 169342	\$ 136098
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 419173	\$ 503124
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	36833	36833
272	Less: Amortization of Contributions	(15114)	(16200)
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 21719	\$ 20633
	TOTAL LIABILITIES	\$ 610234	\$ 659855
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	7699	0
218	Proprietary Capital (Sole Props and Partnerships)	142824	248267
	TOTAL CAPITAL	\$ 150523	\$ 248267
	TOTAL LIABILITIES AND CAPITAL	\$ 760757	\$ 908122

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 186731	\$ 267676
460	Unmetered Water Revenue		
474	Other Water Revenue	2841	480
	TOTAL REVENUES	\$ 189572	\$ 268156
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 18532	\$ 18713
610	Purchased Water		
615	Purchased Power	12703	12106
618	Chemicals		1451
620	Repairs and Maintenance	12294	10168
621	Office Supplies and Expense	4141	3630
630	Outside Services	59765	61855
635	Water Testing	2036	3740
641	Rents	2431	2545
650	Transportation Expense	5316	4089
657	Insurance – General Liability	3385	3449
659	Insurance – Health and Life	2925	3022
666	Regulatory Commission Expense – Rate Case	3610	275
675	Miscellaneous Expense	13041	12061
403	Depreciation Expense	34098	23262
408	Taxes Other Than Income		
408.11	Property Taxes	10397	10181
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 184629	\$ 170547
	OPERATING INCOME/(LOSS)	\$ 4943	\$ 97609
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 912	\$ 747
421	Non-Utility Income	3985	2401
426	Miscellaneous Non-Utility Income		
427	Interest Expense	(3291)	(3013)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 1606	\$ 135
	NET INCOME/(LOSS)	\$ 6549	\$ 97744

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	05/03/99	9/27/07		
Source of Loan	WIFA	WIFA		
ACC Decision No.	61070	69393		
Reason for Loan	System upgrade	System rehabilitation & upgrade		
Dollar Amount Issued	\$ 671000.00	\$ 116612.00*	\$	\$
Amount Outstanding	\$ 386512.28	\$ 116612.00	\$	\$
Date of Maturity	5/3/2019	3/01/37		
Interest Rate	3.375%	2.00%**	%	%
Current Year Interest	\$ 1974.00	\$ ---	\$	\$
Current Year Principal	\$ 32661.00	\$ ---	\$	\$

Meter Deposit Balance at Test Year End \$ 6816.50

Meter Deposits Refunded During the Test Year \$ 1272.50

*Loan commitment is \$1,160,000.00

**Initial interest rate

COMPANY NAME	Naco Water Company, L.L.C.
Name of System	ADEQ Public Water System Number (if applicable) 02-024

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-575700	15	182	410	10	4	1999
55-562944	10	80	312	8	3	1997

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	2	18	
15	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
20,000	1	2,000	1
50,000	1	5,000	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

See Accountants' Report.

COMPANY NAME Naco Water Company, L.L.C.

Name of System ADEQ Public Water System Number (if applicable) 02-112

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-551849	15	85	450	8	4	1995

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
7.5	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
20,000	1	2,000	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME Naco Water Company, L.L.C.

Name of System ADEQ Public Water System Number (if applicable) 02-133

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-203321	5	35	312	6	2	2004

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
7,5-0	1	750	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

See Accountants' Report.

COMPANY NAME	Naco Water Company, L.L.C.
Name of System	ADEQ Public Water System Number (if applicable)

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC/Steel	11,470
3	ABS	1,160
4	PVC/ABS	9,825
5		
6	PVC	13,240
8		
10		
12		
2 1/2	PVC	1,100
1	PVC/Steel	6,180
1 1/2	PVC	3,000

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	350
3/4	
1	6
1 1/2	1
2	9
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

4 Chlorinators

STRUCTURES:

1,100' of Fence

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

See Accountants' Report.

COMPANY NAME: Naco Water Company L.L.C.

Name of System: ADEQ Public Water System Number: 02-024

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	286	1,559	1,559	
FEBRUARY	286	1,638	1,952	
MARCH	286	1,802	1,994	
APRIL	286	1,876	2,242	
MAY	286	2,079	2,385	
JUNE	286	2,324	2,637	
JULY	286	2,085	2,621	
AUGUST	286	1,647	2,008	
SEPTEMBER	286	2,118	2,299	
OCTOBER	286	1,569	2,004	
NOVEMBER	286	1,410	1,789	
DECEMBER	286	1,278	1,547	
TOTALS →		21,386	25,036	0

What is the level of arsenic for each well on your system? 0.0050
0.0058 mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? 2.50GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
(X) Yes () No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
() Yes (X) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
() Yes (X) No

If yes, provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

See Accountants' Report.

PROPERTY TAXES

Amount of actual property taxes paid during Calendar year 2007 was \$ 10181

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property tax paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT
Taxes**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

APR 12 2008

(COUNTY OF (COUNTY NAME))	
Pima	
NAME (OWNER OR OFFICIAL)	TITLE
Bonnie O'Connor	Manager
COMPANY NAME	
Naco Water Company, LLC	

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

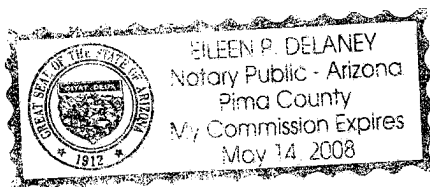
MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS. PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.




SIGNATURE OF OWNER OR OFFICIAL

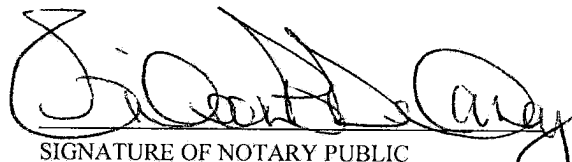
520-623-5172
TELEPHONE NUMBER

**SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 31 DAY OF**

COUNTY NAME	PIMA
MONTH	MARCH 20 08

(SEAL)

MY COMMISSION EXPIRES


SIGNATURE OF NOTARY PUBLIC

INCOME TAXES

For this reporting period, please provide the following:

Federal Taxable Income Reported LLC
Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported LLC
Estimated or Actual State Tax Liability _____

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

5-2-0 3/31/00
DATE

Bonnie O'Connor
PRINTED NAME

Manager
TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2007 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

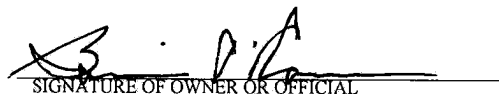
\$ 284763

(THE AMOUNT IN THE BOX ABOVE

INCLUDES \$ 16607

IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL

520-623-5172
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

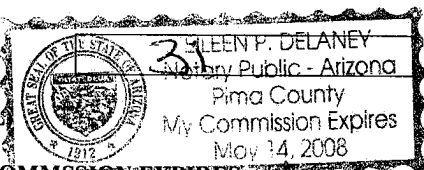
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 31 DAY OF

(SEAL)

MY COMMISSION EXPIRES

See Accountant's Report.



COUNTY NAME Pima
MONTH March 2008


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only**

APR 02 2008

VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

(COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Bonnie O'Connor	TITLE Manager
COMPANY NAME Naco Water Company, LLC	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01 ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2007 WAS:

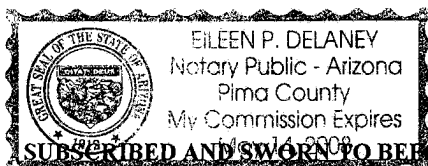
ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 228831

(THE AMOUNT IN BOX AT LEFT
INCLUDES **\$ 13798**
IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**

SIGNATURE OF OWNER OR OFFICIAL



SUBSCRIBED AND SWORN TO BEFORE ME

**A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS**

31

**DAY
OF**

(SEAL)

MY COMMISSION EXPIRES May 14, 2008

See Accountants' Report

TELEPHONE NUMBER

NOTARY PUBLIC NAME

EILEEN P DELANEY

COUNTY NAME

PIMA

MONTH

MARCH

2008

SIGNATURE OF NOTARY PUBLIC

107 FIRST HALF PAYMENT COUPON

DETACH AND RETURN WITH PAYMENT

Payment in U.S. FUNDS ONLY

Due October 1, 2007
NACO WATER CO
102-373 2 Roll Number: 0119651

Frequency Date First Half Payment
Penalty for late payment is 16% per year prorated
thly as of the 1st day of the month for payments
marked after 5:00 P.M. November 1, 2007
ARS 42-18052 and ARS 42-18053).

total property tax notice of \$100 or less must
aid in full using the first payment coupon, no
later than November 1, 2007 at 5:00 P.M.

ay taxes for the full year, send the 1st half
on with your payment postmarked no later than
31, 2007. Delinquent interest will be waived.

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

TO PAY 1ST HALF ONLY PAY 1,879.79
TO PAY FULL YEAR TAX PAY 3,759.58

If your mortgage company makes your property
tax payments consider this notice as a courtesy
copy for your records only.



029180237300200000187979



Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

2007 9180237302 1 00000037595800000187979

7 FIRST HALF PAYMENT COUPON

DETACH AND RETURN WITH PAYMENT

Payment in U.S. FUNDS ONLY

October 1, 2007
WATER CO
102-370 3 Roll Number: 0119650

Frequency Date First Half Payment
Penalty for late payment is 16% per year prorated
as of the 1st day of the month for payments
marked after 5:00 P.M. November 1, 2007
ARS 42-18052 and ARS 42-18053).

al property tax notice of \$100 or less must
in full using the first payment coupon, no
later than November 1, 2007 at 5:00 P.M.

taxes for the full year, send the 1st half
with your payment postmarked no later than
1, 2007. Delinquent interest will be waived.

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

TO PAY 1ST HALF ONLY PAY 299.92
TO PAY FULL YEAR TAX PAY 599.84

If your mortgage company makes your property
tax payments consider this notice as a courtesy
copy for your records only.



02918023700300000029992



Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

2007 9180237003 1 00000005998400000029992

NACO WATER COMPANY, LLC 10/94
P.O. BOX 85160
TUCSON, AZ 85754
(520) 623-5172

BANK OF AMERICA
91-170/1221

1973

TO THE
ORDER OF Marsha Bonham, Cochise County Treasurer

10/10/2007

\$ **5,179.59

Five Thousand One Hundred Seventy-Nine and 59/100*****

DOLLARS

Marsha Bonham,
Cochise County Treasurer
PO Box 1778
Bisbee, AZ 85603-2778

[Signature]

AUTHORIZED SIGNATURE

Security features. Details on back.

0001973 122101706 000003797676

NACO WATER COMPANY, LLC

1973

Marsha Bonham, Cochise County Treasurer

10/10/2007

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/3/2007	Bill	1st Half 2007	311.58	311.58		311.58
10/3/2007	Bill	1st Half 2007	2,688.30	2,688.30		2,688.30
10/3/2007	Bill	1st Half 2007	299.92	299.92		299.92
10/3/2007	Bill	1st Half 2007	1,879.79	1,879.79		1,879.79

2006 SECOND HALF PAYMENT COUPON

Due March 1, 2007
NACO WATER CO
118-02-370 3 0117571
Delinquency Date Second Half Payment
Penalty for late payment is 16% per year
Prorated monthly as of the 1st day of the
Month for payments postmarked after 5:00
P.M. May 1, 2007 (ARS 42-18052 and ARS
42-18053).



Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

TO PAY 2ND HALF PAY 278.92

If your mortgage company makes your property
tax payments consider this notice as a courtesy
copy for your records only.



029180237000300000027892

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

2006 9180237003 2 00000005578400000027892

2006 SECOND HALF PAYMENT COUPON

Due March 1, 2007
NACO WATER CO
118-00-271 3 0117570
Delinquency Date Second Half Payment
Penalty for late payment is 16% per year
Prorated monthly as of the 1st day of the
Month for payments postmarked after 5:00
P.M. May 1, 2007 (ARS 42-18052 and ARS
42-18053).



Make check payable to:
Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

Payment in U.S. FUNDS ONLY

TO PAY 2ND HALF PAY 2,483.74

If your mortgage company makes your property
tax payments consider this notice as a courtesy
copy for your records only.



0291800271003000000248374

Marsha Bonham
Cochise County Treasurer
PO Box 1778
Bisbee AZ 85603-2778

2006 9180027103 2 000000496748000000248374

NACO WATER COMPANY, LLC 10/94
P.O. BOX 85160
TUCSON, AZ 85754
(520) 623-5172

BANK OF AMERICA
91-170/1221

1887

4/18/2007

PAY TO THE ORDER OF Marsha Bonham, Cochise County Treasurer

\$ **5,001.35

Five Thousand One and 35/100 ***** DOLLARS

Marsha Bonham,
Cochise County Treasurer
PO Box 1778
Bisbee, AZ 85603-2778

MEMO

AUTHORIZED SIGNATURE

Security features. Details on back.

⑈001887⑈ ⑆122101706⑆ 000003797676⑈

HOLM, HESTAND & VALENZUELA, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3131 NORTH COUNTRY CLUB ROAD, SUITE 109

TUCSON, ARIZONA 85716

**DOUGLAS R. HOLM, CPA
EMMA K. HESTAND, CPA
JANETTE G. VALENZUELA, CPA**

**TELEPHONE: (520) 326-8483
FAX: (520) 795-5191
E-MAIL: HHVCPA@EARTHLINK.NET**

We have compiled the balance sheets of Naco Water Company, LLC as of December 31, 2007 and 2006, and the related comparative statements of income and expense for the years then ended, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information presented in the prescribed form.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission--Utilities Division information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission--Utilities Division, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Holm, Hestand, Valenzuela CPAs P.C.

March 27, 2008